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DIFFICULTIES AND NEEDS OF THE PAPER AND PULP INDUSTRY

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The past year has seen less activity in business due to a light demand in every grade of paper. Returns on capital were not satisfactory, and labor was not steadily employed. This condition of the paper manufacturing industry, however, was no different from that in all the large manufacturing plants of the country, and reports from abroad indicate that these conditions have prevailed there, particularly in this industry.

The paper industry is probably more sensitive to conditions than many others, mainly because advertising falling off or increasing suddenly, causes less or more paper consumption, with little notice to the manufacturer, who does not know general conditions as quickly as does the advertiser. While the daily newspapers and magazines probably printed as many copies of their issues as formerly, they curtailed the amount of paper used, by printing less pages or reducing the number of columns per page. This in the aggregate amounts to a saving of many hundred tons.

In addition to this smaller demand, the jobbers in every city have reduced their stocks of all grades of paper to the lowest point possible, thus causing thousands of tons, usually held to properly conduct their business, to be put on the market. The result is a decreased demand and practically an increased production. As usual under these conditions, prices were low and competition extraordinarily keen. Mills have run on part time and in general have reported business as unsatisfactory. Since August first, however, the demand is increasing and a much better tone is apparent in the paper market in general.

The recent tariff legislation had a very disquieting effect on the paper business as it had on every other. No one would buy for more than his immediate wants and very few contracts for a supply were made until the tariff was fixed. The demands of the publishers were selfish and without regard for the rights of manu-

facturers, who were being taxed on their supply of raw material and who must pay wages sufficiently high to enable their workmen to live as they are accustomed. The manufacturers demanded that all duty should be removed from the finished product. This was a most unfair position, and the inherent desire of Americans for fair play induced Congress to pass a tariff which, while lower than facts warrant according to "comparative cost at home and abroad," will, I believe, serve to protect the American manufacturer against ruinous foreign competition.

The removal of all duty from paper and pulp in the lower grades would, in a very few years, put the mills of the United States out of existence. The world's supply and demand interests each country. To-day there is an overproduction in certain grades of pulp and paper in some European countries, and with no protection the American market would be flooded with paper at perhaps a loss to the manufacturer, and at a price that would shut down fifty per cent of our plants. When normal business conditions prevailed in these countries the export would stop, but in the meantime our mills would be in no condition to resume.

Any investor in a manufacturing plant is entitled to a fair profit on his investment, and more than a mere interest charge. The business is hazardous and constantly changing through improvements in machinery and replacements, and maintenance expenses in the paper manufacturing business are greater than in almost any other manufacturing industry. Water power conditions, moreover, are uncertain and make it impossible to foretell the cost of manufacture a year ahead. Yet competition has apparently made it necessary for mills to sell their product at a very small estimated profit under most favorable conditions. This, under abnormal conditions, means a loss, as with but few exceptions and for short periods, the prices of all grades of paper have, in the past twenty-five years, been steadily decreasing, in spite of the enormous increase in consumption. In every grade of paper the industry has more than kept pace with demand. The use of all grades of paper in the United States is greater per capita than in any other country of the world, and we produce, in the lower grades, nearly fifty per cent of the world's consumption. This fact alone shows the progress of the industry. The protection afforded by the government has been an important factor.

I believe the manufacture of so-called wood paper in the United States will not increase very much in the future. Certain more favorably situated mills may increase their capacity somewhat, but others less fortunately situated will cease making the lower grades or will dispose of their water powers for other purposes. The vicious attacks made on the paper manufacturers by their customers, who have grown prosperous, partly at their expense, does not stimulate new ventures by capital and in the end may cause higher prices due to lack of production.

This condition of trade does not indicate that we will ever become a factor in the export business even with a general revival abroad. The home demand will increase, and has already shown a fair increase as compared with other staple articles. With conditions nearly as satisfactory as 1907, the increase of about five million population, must alone increase the consumption of all food stuffs and manufactured articles. On the whole the outlook for the future of the paper industry in this country is healthy. While, I believe, there will be little or no additional growth of the manufacture in the lower grades, and that we will not export this quality, this argument does not apply to the finer grades of book and writing papers. These grades are made by many mills, each one having a special brand or use, and the prices are made on quality, quantity, manner of packing, etc. The consumption is more uniform and the prices more steady. They are used in smaller quantities, so that the prices are not as much a factor as quality or reputation. There is no reason why the American manufacturer with his ability and taste cannot export these higher grades in competition with many other countries.

The paper manufacturing industry as a whole is one of the important ones of the United States. It has a capital investment of some \$350,000,000, an annual product \$250,000,000 in value, representing an annual output of over 4,000,000 tons of paper in different grades, and employing over 100,000 people directly in the business. Since the census of 1880, or within thirty years, there has been an increase of \$300,000,000 in investment, \$200,000,000 in annual output, and 75,000 in the number employed in the industry.

On one of the principal grades of paper, during this period, the price has been reduced from \$140 to \$40 a ton. No one can claim, therefore, that the manufacturer has not invested his money

freely to build up the industry, that he has not taken care of the growing demand, or that he has gotten an unreasonable price for his product. It takes longer for capital to be turned over in this manufacturing business than in almost any other large industry.

I have endeavored in a brief and simple way to refute many statements which were no doubt published with the idea of influencing Congress in tariff arguments and to affect the value of our product. I desire to impress the public with the belief that this is a legitimate manufacturing industry, subject to conditions of trade the same as any other industry. The men engaged in it are reputable business men and in good standing in the communities in which they reside, having in many instances their "all" invested in it. The cry of the intermediate consumer, not the ultimate, is from a desire to buy his supply cheaper than it can be made, and in order to get this result on twenty-five per cent of the annual product of the paper mills he proposes to put all manufactures of all kinds of paper in one class. No thinking man believes that a reduction in the price of newspaper, or cheaper grades of book paper, for instance, would reduce the cost of a single copy of a publication to the purchaser; and yet it has been claimed that a duty of about ten per cent on printing paper is a "tax on intelligence."

The interests of the consumer and producer are alike, and we have no objection to their profits. We do, however, object to misstatements made with a view of ruining our investments. The average man believes the pulp mills of this country are devastating the forests, not because he knows anything about it, but because it has been brought to his attention by publishers in the shape of articles and cartoons. The facts are, that less than two per cent of the annual drain of American forests goes into paper and pulp. Railroad ties consume more timber and mine supports nearly as much. The two together consume twice as much as goes into paper in its different forms, but the public does not read that they are such destroyers of natural resources. These facts are taken from government reports and are therefore authoritative. The "golden rule," although not used as much as formerly, is still a good measure.